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Prepared Remarks
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National Maritime Strategy Symposium
Department of Transportation
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Good morning!

It's my honor to welcome you to the National Maritime Strategy Symposium.

I'm pleased to see so many informed, experienced, and influential maritime stakeholders here today.

Your presence shows commitment to the future of our nation's maritime transportation system and as an endorsement of this symposium's mission: to lay the groundwork for a national maritime strategy.

To kick off the morning, I'd like to welcome a person I'm glad to have in Maritime's corner. A man who in just a few short months has brought energy, momentum and a forward-thinking approach to the department. Please welcome the 17th Secretary of the Department of Transportation, Anthony Foxx!

Thank you, Secretary Foxx. We appreciate you making the time to be here today.

Now, I'd like to welcome a strong voice for our industry. A man that has long seen the need for a National Maritime Strategy. The representative for California's third district and Ranking Member of the House Subcommittee on Coast Guard and Maritime Transportation. Congressman John Garamendi . . .

Thank you, Congressman Garamendi.

Involvement like yours is a welcome reminder that maritime is still important in the halls of Congress. I encourage you and your colleagues on the subcommittee to continue your work to advance America's maritime interests.

Next, I'd like to welcome an individual that has served our country and American maritime interests in a wide variety of roles.

A graduate of the U.S. Coast Guard Academy in New London, Connecticut, he has served as Special Advisor for Homeland Security to the Vice President, First Coast Guard District Chief of Staff, and National Security Strategist at the Pentagon: Rear Admiral Joseph A. Servidio.

Thank you, Admiral.

As this crowd knows, the maritime industry has long been a community of problem-solvers and innovators. The nature of our work demands it.

Whether you're out on the lakes, rivers waterways or ocean, or working ashore in logistics, port management or elsewhere, ours is an unpredictable world where each day presents new challenges.

However, with such a diversity of partners within the maritime industry, we often move forward in a very fragmented approach to these challenges we face – whether they're regulatory regimes, tax policies, or other complications posed by today's global economy.

In doing so, we are missing opportunities to help each other succeed and offering ideas for industry solutions.

A hard truth is the industry cannot remain truly viable unless all its segments are succeeding, and I think we all know that.

The maritime chain is no stronger than its weakest link - and that's why we need to pull together in a joint effort to respond to the issues our industry is facing.

Bottom line - we need a strategy.

And that's why we're here this week.

We're here to take the first steps in an ongoing effort to develop a structured and systematic collaboration in our diverse, yet strongly inter-connected industry - a strategy to strengthen and expand key facets of our nation's maritime transportation system.

Back in October when the Maritime Administration made notice of this event, we invited you not only to participate in it, but to define it as well.

Our open call for topic and agenda suggestions was met with an enthusiastic wave of thoughtful and informative responses, and I thank you for that valuable input. We read and we analyzed each and every submission.

What was immediately clear was that the scope of topics presented couldn't all be addressed in just one meeting. So our gathering here will just be the starting point, followed by other meetings, discussions and engagements with stakeholders throughout the country to address all of the issues and concerns that have been voiced.

But we needed a starting point, so we are going to focus on an issue that matters to us all: *growing the U.S.-Flag Fleet engaged in international trade.*

While different segments face their own pressing challenges, I think we all can agree that a weakened U.S.-Flag Fleet poses the greatest threat to our country's strategic well-being - and by that I mean our national security - as well as potentially affecting our future economic health.

The U.S.-Flag Fleet provides safe, reliable and environmentally-responsible transport of cargo to support economic activity – both domestically and internationally.

It also supports department of defense sustainment sealift capability requirements in times of armed conflict or national emergencies.

The fleet is something we as a country have relied on for decades. And unfortunately, our fleet has fallen from a peak number of vessels in 1951 to less than 200 today.

In terms of gross tonnage, the fleet dropped from a high of 13.6 million gross tons in 1988 to 6.9 million gross tons at the end of 2013.

Let's take a more-detailed look at what happened.

Though this chart starts out at 1946, the U.S. Merchant Marine was created by the merchant marine act of 1920, which we all know as “The Jones Act.”

Looking to the slide, you’ll see that the vertical blue pillars are legislative efforts influencing the U.S. Merchant marine.

And in the shaded areas, we’ve annotated overseas conflicts requiring the U.S. Merchant marine to provide support.

The red line you see here denotes ocean-going, self-propelled, cargo carrying ships over 1,000 gross tons.

And the blue line is the overall number of ships in the fleet.

At the far left of this chart, you’ll see the incredible surge in U.S. Shipbuilding during world war two.

This stands out as one of the great achievements in world history, made possible in large part by the groundwork laid by the Merchant Marine Act of 1936.

But let’s not lose sight of the fact that paramount to its success was the coming together of all maritime stakeholders: government, business and labor, all working together.

Following the war, the Merchant Ship Sales Act of 1946 authorized the sale of a large portion of over 3,500 government-owned ships built during the war. These went to both domestic and foreign commercial buyers.

This action enabled the rapid rebuilding of the U.S. Commercial fleet that you see on the far left.

And by 1951, the number of ships in the U.S. Flag fleet hit its peak of 1,242 ships.

Since then, the number of ships in the U.S. Fleet has steadily decreased, although the carrying capacity – as measured in gross tons – kept growing until 1988, as average vessel sizes increased.

As you know, many legislative and policy initiatives were implemented to support the U.S.-Flag Fleet and shipbuilding services.

The success of these efforts has been mixed, but you can see how some of them have affected the fleet.

The Cargo Preference Act of 1954, which stipulated that at least 50 percent of all government-generated cargo be carried on U.S.-Flag ships.

The Merchant Marine Act of 1970. This amended the 1936 act, and authorized the construction of 300 merchant ships over a decade.

Although this initially triggered a surge in shipbuilding, the program stumbled in the wake of the 1973 oil embargo by OPEC.

In 1981 we saw the end of Operating and Construction-Differential-Subsidies.

Later, The Food Security Act of 1985 raised cargo preference mandates for U.S.-funded agricultural exports for food aid carried on U.S.-flag vessels.

And then in 1990, we had the Oil Pollution Act.

The Maritime Security Act of 1996 established the Maritime Security Program as a 47-ship fleet which later expanded to 60.

And finally, Map-21, the Moving Ahead for Progress in the 21st Century Act of 2012, which reduced cargo preference mandates for U.S.-funded agricultural exports from 75 to 50 percent. .

This slide shows the U.S.-Flag dry cargo fleet. Again, we're plotting gross tonnage against the number of ships over one thousand tons.

The U.S.-Flag dry cargo fleet includes containerships, roll-on/roll-off, break-bulk, and a few dry bulk vessels.

The size of this fleet - with the exception of dry bulk vessels - has been very responsive to the demands of moving military cargo, especially over the last 12 years.

You can see that the number of privately-owned U.S.-Flag vessels in the dry cargo fleet held up reasonably well after the Korean War and into the Vietnam War, before the number of vessels began a dramatic drop.

Much of this decrease was spurred by the container innovation of the 1950s.

Something to note is that the dry cargo vessels – supported by the maritime security program and previously by the operating differential subsidy – did not experience the tonnage reductions that tankers did.

We can see a relatively steady capacity of dry cargo vessels - as measured in gross tons - even as vessel numbers continued to decrease from the 1970 s to the first half of the 1990 s.

The establishment of the 47 ship Maritime Security Program in 1996, and its reauthorization at 60 vessels in 2003, helped stabilize the number of dry cargo vessels, even as capacity of these vessels increased, particularly with our military buildup in the middle east to support operations in Iraq and Afghanistan.

However, with the winding down of these conflicts after 2010, vessel numbers were impacted once again.

As of today, the number of dry cargo vessels is lower than it has been at any time since the end of the Second World War.

And the U.S.-Flag tanker fleet shown here is primarily driven by the demand to move domestic petroleum and petroleum products.

As with dry cargo ships, surplus government-owned ships were sold after World War II under the Merchant Ship Sales Act of 1946.

However, tanker sizes grew rapidly after the war as World War II-era T2 tankers were retired - meaning fewer vessels were required to move the same amount of product.

The Merchant Marine Act of 1970 allowed construction and operating subsidies for tankers in foreign trade and the deferral of taxes on U.S.-Flag earnings deposited into the Capital Construction Fund.

As I noted before, this was initially successful, but the closing of the Suez Canal, the 1973 Oil Crisis, and climbing crude prices led to the construction of more tankers with greater capacity.

The Exxon Valdez oil spill in 1989 led to the oil pollution act of 1990, which phased out single hull tankers.

And the small jump we see here to the right at 2009 is due to the recent surge in domestic oil and gas development.

This slide shows the U.S.-Flag fleet share of waterborne foreign trade.

The trend from 1946 is evident, most of it happening before 1960. And many factors went into this. World events, foreign competition, technological advancements, tax disparities, regulatory issues, and a mixed bag of legislation have all contributed to bringing the U.S.-Flag fleet to this point.

Let's drill down for a closer look.

Here's the same chart, focusing on the period from 1961 to 2003.

Overall, the trend remains the same.

The 1973 uptick is thought to come from the end of the oil crisis, when most of the opec nations ended their 5-month oil embargo.

And while it isn't entirely responsible for this uptick, the shipping act of 1984 was passed, resulting in a temporary upswing.

So that's where we are.

1,242 ships in 1951. 179 vessels today.

And I ask you, does a 179-vessel fleet serve the purposes of the last articulated maritime strategy - the merchant marine act of 1936, as amended in 1970?

It is necessary for the national defense and development of its foreign and domestic commerce that the United States shall have a Merchant Marine

(a) sufficient to carry its domestic water-borne commerce and a substantial portion of the water-borne export and import foreign commerce of the United States and to provide shipping service essential for maintaining the flow of such domestic and foreign waterborne commerce at all times,

(b) capable of serving as a naval and military auxiliary in time of war or national emergency,

(c) owned and operated under the United States flag by citizens of the United States, insofar as may be practicable,

(d) composed of the best-equipped, safest, and most suitable types of vessels, constructed in the United States and manned with a trained and efficient citizen personnel, and

(e) supplemented by efficient facilities for shipbuilding and ship repair. It is declared to be the policy of the United States to foster the development and encourage the maintenance of such a merchant marine.

Does a 179-vessel fleet accomplish those things for a nation of 316 million people?

I don't think so. And neither should you.

This slide shows U.S.-Waterborne foreign trade in metric tons. And down at the bottom is the U.S.-Flag share of that trade.

I think this slide says it all. And that's why what we're doing today is a strategic imperative!

The U.S. Maritime Industry was the world leader in vessel innovation for a large part of the last century.

And I'm certain we can restore that position, and return the U.S. Merchant Marine to its rightful place among the leaders in worldwide shipping.

We can, and we must. Because doing nothing is not an option.

We do not want to risk a diminished U.S. Merchant Marine.

It's happened before. 100 years ago... we didn't have a U.S. Merchant Marine.

In the first decade of the 20th century, ship owners were primarily European.

When World War One started, Western Europe withdrew all of their commercial ships from U.S. Trade, leaving tons of cargo piling up on our docks - agricultural products just rotting at ports because there were no vessels available to ship it.

We were a nation without control of its own maritime supply chain.

And we are there again.

And if we ever get into a situation where we have no control over our supply chain, that's a threat to the U.S. Economy, our strategic sealift capability, and every segment of the maritime industry.

There's an old saying, *that those who ignore history are doomed to repeat it.*

Well, we're not going to ignore history.

We've been down that course before, and a heading without a strong U.S.-Flag Fleet is not a course that we want to sail again.

The consequences of losing our remaining vessels hold economic and security repercussions for all of us.

And that's why growing the U.S.-Flag Fleet will be at the heart of our efforts over the next two-and-a-half days.

Our roundtable discussions, panel sessions and presentations will focus on the overall goal of identifying issues and ideas to promote a healthier bluewater fleet.

There's no "how to" guide for building a national maritime strategy. And nothing like this has been done in Washington in recent memory.

As I said before, the maritime community is a community of problem-solvers.

So let's solve this problem. Let's look to the future, and let's do it together.

I stress "together" because it's going to take a full involvement from all of us to produce something worthwhile at this symposium.

Developing a maritime strategy isn't going to be a spectator sport. We're going to need all hands on deck if we're going to get it right.

This symposium will foster an open communication environment.

In our breakout sessions you'll be seated with unfamiliar faces from different segments of the industry.

It's because we want and need to spur new dialog in our industry and begin sharing of information between us.

So please, take advantage of this opportunity to broaden and strengthen your industry relationships.

There is so much expertise in this room that it would be criminal not to share it with others.

Everyone needs to speak up. We need to hear everyone's input on the issues facing our industry, as well as the ways we can co-operate to solve them.

But don't forget to listen. Really listen and build a better understanding of our industry.

Reconcile your individual interests with the advancement of our industry as a whole.

Look for areas of coordination and ask the questions that need to be asked . . .

What will it take for us to ensure the sustainability of the fleet?

We've brought the entire industry here today, and as I said, we need to recognize how inter-related our industry is.

Proposed changes to legislation, tax code, policies and regulations could have unintended secondary and tertiary impacts on those segments. And we need to understand potential impacts or issues in the discussion.

Yes, this is an ambitious gathering, but great things can grow from the seeds of ambition.

We can grow the American economy, create new employment opportunities for U.S. Mariners, and ensure this nation's security while remaining in control of our own supply chain.

But to do this, we must work together. To develop a strategy to invigorate the American Maritime Industry, starting with the U.S.-Flag Fleet engaged in international trade.

Let's put the rudder over and steer a different course.

I look forward to what the next couple of days will bring and I am anxious to get started.